

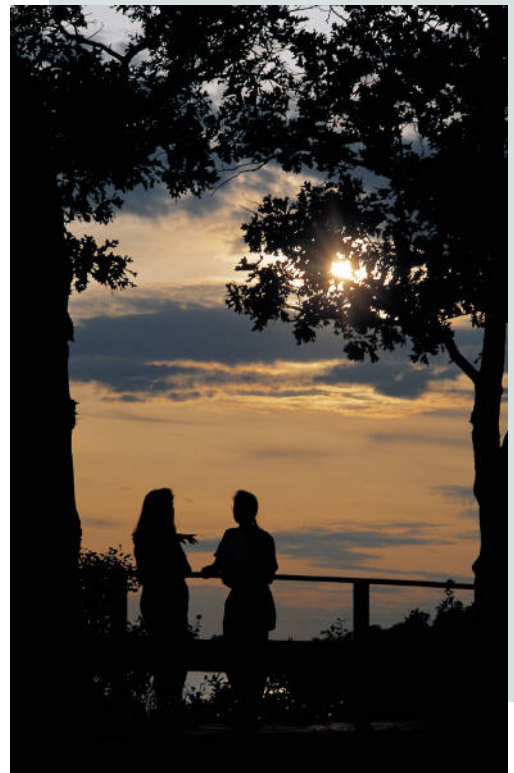
Optional Spouse Coverage

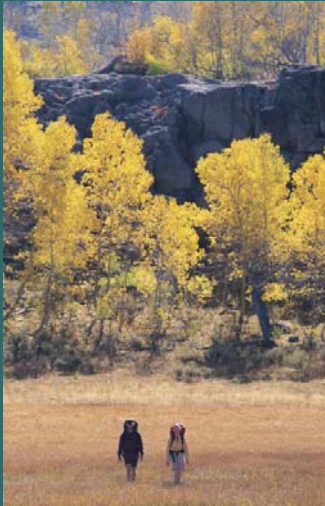
Revised 05/04

Why Optional Spouse Coverage?

You're probably not planning on an early death, but if it should happen, your spouse could be left for years without the financial help of either Social Security or SDRS. This difficult period occurs between the time your spouse ceases to be eligible for family benefits (after your last child reaches age 18) until the time your spouse reaches age 65.

Fortunately, additional protection during this period is available for your spouse through SDRS's optional spouse coverage. To understand how this optional spouse coverage works, however, you must first understand SDRS's survivor benefit provisions.





Basic Coverage

A family benefit and a spouse benefit are paid monthly to your survivors if you die while participating in SDRS (see chart). The family benefit is payable when there are children in the home under the age of 18, and the spouse benefit becomes effective when your spouse reaches the age of 65. The family benefit equals 40 percent of your final average salary plus an additional 10 percent per child—up to a maximum of six children—or up to 100

percent of your final average salary. As each child reaches age 18, the benefit is reduced accordingly. The payments continue until all children in the home reach the age of 18. The SDRS family benefit and 75 percent of your Primary Social Security benefit combine to provide the total payment available. The spouse benefit is equal to 60 percent of your projected retirement benefit. This benefit will be

paid when your surviving spouse reaches the age of 65. The spouse benefit will be calculated using the normal retirement formulas. The final average salary plus annual cost-of-living adjustments. The credited service in the formula will be the years of credited service you would have earned if you had been a member of the system until normal retirement age.

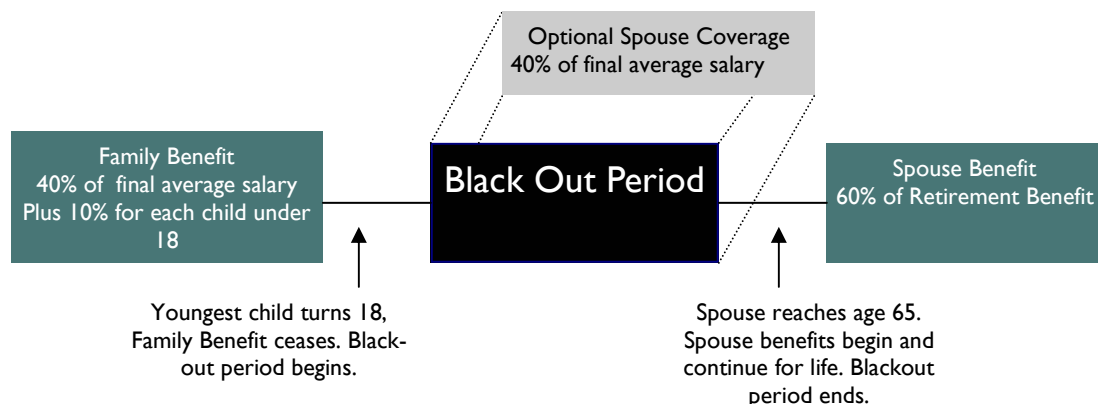
Optional Spouse Coverage offers additional protection for the span of years not automatically covered by SDRS or Social Security.

Optional Spouse Coverage

But what about the years between the time the last child reaches age 18 and your spouse turns 65? To ease that dilemma, SDRS offers additional optional coverage that will pay a monthly salary continuation benefit to your surviving spouse

for the span of years not automatically covered by SDRS or Social Security. This benefit equals 40 percent of your final average salary with an SDRS participating employer. The benefit continues from the time all children have reached the

age of 18 until your surviving spouse reaches age 65. For childless couples, the coverage would extend from your death until your spouse becomes age 65.



Enrollment

There is a limited enrollment period for this optional spouse coverage. A new member of SDRS may enroll in the optional coverage any time within the first 365 days of membership. (If within the last 12 months you have left SDRS employment, have withdrawn your contributions, and now are re-employed by an SDRS—covered em-

ployer, you are not considered a new member.) Members who have participated in SDRS for more than 365 days may elect to participate by enrolling (1) within 90 days after reaching age 35 or (2) within 90 days after the first anniversary of marriage.



There is a limited enrollment period for this optional spouse coverage.

Cost

The cost of optional spouse coverage is 1.2 percent of salary. A member earning \$24,000, for example, would pay \$24 per month for this coverage. Participation in the optional spouse coverage may be discontinued at any time. Contributions for this coverage, however, are not refundable.

For your surviving spouse to be eligible for benefits under optional spouse coverage, you must:

- Be a contributing member at the time of your death,
- Have made at least one contribution for the optional spouse coverage, and
- Have been married to your spouse for at least 12 months before your death.



Eligibility for Benefits

Judging the Value of Optional Spouse Coverage

While optional spouse coverage has a number of attractive features, it may not be cost-effective for every SDRS member. To determine if the option meets your needs, you should consider:

The year in which your youngest child will reach age 18

The year in which your spouse will reach age 65.

Since optional spouse coverage payments are made during the spread between these two dates, the greater that spread,

the longer the payment period could be. And clearly, the longer the payment period, the more valuable the benefit. For example, assume that your youngest child will be 18 years old in the year 2010 and your spouse will reach age 65 in the year 2020. Your surviving spouse would be eligible to receive payments for a 10 year period. If, on the other hand your youngest child will not reach age 18 until the year 2018, your spouse would be

eligible for only a two-year payment period. In the latter case, optional spouse coverage would probably not be cost-effective. Please remember that no benefits from either the SDRS basic plan or Social Security are available to a surviving spouse during the blackout period (see chart). SDRS's optional spouse coverage is designed to fill that void.



Determine if optional spouse coverage is cost-effective for you.

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Summary of Optional Spouse Coverage

- **Optional spouse benefits are paid to your spouse from the time all your children have reached the age of 18 until your spouse reaches age 65.**
- **Optional spouse benefits are equal to 40 percent of your final average salary.**
- **Optional spouse benefits are increased each year by SDRS's 3.1 percent cost of living adjustment.**
- **Optional spouse coverage contributions are paid automatically through payroll deduction and are not refundable.**
- **Optional spouse coverage remains in full force without further cost if you are approved for a disability benefit from SDRS.**

South Dakota Retirement System

The Protection for Your Survivors brochure is produced to communicate benefit provision information to the members of the South Dakota Retirement System. It is published with funds provided through the contributions of teachers, school boards, state government, state employees, county commissions, county employees, municipal governments, and municipal employees.

